LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7419
BILL NUMBER: HB 1546

NOTE PREPARED: Feb 23, 2009
BILL AMENDED: Feb 23, 2009

SUBJECT: Public Retirement Fund Benefits.

FIRST AUTHOR: Rep. Niezgodski
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **X** GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation This bill:

(1) permits members of the Teachers' Retirement Fund (TRF) and the Public Employees' Retirement Fund (PERF) to change investment selections once each day, with the change being effective on the next business day after the fund receives the change notice;

(2) establishes the market valuation date of a member's investment as of five business days before the date of the member's distribution or annuitization at retirement, disability, or suspension and withdrawal;

(3) reduces from ten to eight the number of years of creditable service a member of PERF must earn to obtain vested status with respect to members who retire after December 31, 2010;

(4) codifies a noncode provision that permits members of the Legislator's Retirement System to change investment selections once each day;

(5) repeals the noncode provision; and

(6) provides for a thirteenth check for members, survivors, and beneficiaries of the PERF.

Effective Date: July 1, 2009; January 1, 2010.

Explanation of State Expenditures: (1-2) Changing investment selections and establishing the market valuation date of a member's investment will have no fiscal impact on PERF and TRF. The funds affected are the respective administrative funds.

(3) The estimated fiscal impact of reducing vesting from ten years to eight years for PERF appears in the table below.

	State	Local	Total
Increase in Unfunded Accrued Liability	$850,000	$2,650,000	$3,510,000
Increase in Annual Cost	$1,000,000	$2,180,000	$3,170,000
Increase in Annual Cost (as % of Pay)	0.066%	0.080%	0.074%

There would be no change in the funded status of PERF, currently at 97.5%.

The funds affected for state are the General Fund (55%), or $550,000, and various dedicated funds (45%), or $450,000. The percentage split represents the split in the personal services portion of the state budget.

(5) The cost of providing a 13th check for PERF is shown in the table below.
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13th Check	State	Local	Total
Change in Unfunded Accrued Liability	$9.2 M	$12.6 M	$21.8 M
Change in Annual Funding	$709,000	$974,000	$1.683 M
Change in Annual Funding as % of Pay	0.04%	0.03%	0.04%

The funded status would decrease from 97.5% to 97.4%.

The funds affected are the state General Fund 55%, or $389,950, and various dedicated funds 45%, or $319,050. The percentage split represents the split in the personal services portion of the State Budget.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: Those units with members in PERF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF,317-576-1508; Steve Barley, Chief Operating Officer of PERF and Deputy Director; 317-233-4184.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Funded Status - The ratio of the assets of a pension plan to its liabilities.

Funding- A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Thirteenth Check - An annual supplemental retirement allowance arising from earnings on the investments of a system in excess of those determined as needed for other purposes.

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.